Blue Cross Blue Shield of Massachusetts Announces 2011 Financial Results

Reports modest operating margin of 0.7% for the year while delivering lowest premium increases since 2005

BOSTON — March 1, 2012 — Blue Cross and Blue Shield of Massachusetts, Inc. (BCBSMA) and Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc. (BCBSMA HMO Blue) announced its 2011 calendar year financial results today and is reporting a combined after-tax net income of $136.1 million. These results reflect an operating income of $42.7 million and an investment income of $109 million. In 2011, BCBSMA paid $141 million in federal, state and municipal taxes and assessments.

"Our continued aggressive management of administrative and medical spending has allowed us to deliver the lowest premium increases since 2005 while simultaneously improving our operating performance," said Allen Maltz, Chief Financial Officer at BCBSMA. "2011 was a pivotal year in advancing our highest priority of making quality health care affordable. Working with physicians and hospitals in a spirit of shared responsibility, we've begun to see early positive signs that our efforts are yielding results."

Maltz said the improved operating performance and lower premium increases were attributed to three primary factors: more modest contracts with hospitals and physicians, the impact of the *Alternative Quality Contract* (*AQC*), and a continued moderation in consumer demand for health care services. Maltz did caution that the company is carefully monitoring its medical trend to determine whether demand for services is beginning to increase again.

Maltz added the company is also addressing the approximately 10% of premiums that are used for administrative purposes. "We are pleased," said Maltz, "that our total core administrative spending in 2011 was reduced to the lowest level since 2006. This reflects the disciplined approach we have taken over the past few years to be careful stewards of limited health care resources."

BCBSMA, the leading private health plan in Massachusetts with 2.8 million members as of December 31, 2011, will remain focused throughout 2012 on the key elements of its affordability strategy which include:

- Reaching agreement on more modest contracts with the physicians and hospitals that are renewing their contracts with BCBSMA in 2012. Approximately half of all medical trend is related to the increasing prices BCBSMA pays providers for the health care services its members receive.
- Expanding the *Alternative Quality Contract* to more physicians and hospitals while effectively supporting the physicians and hospitals that have already adopted the new model which has been shown to slow the rate of spending while improving the quality of patient care.
- Advancing the adoption of value-based products, especially for small businesses, that reward employers and employees when they choose to receive their care from physicians and hospitals that deliver high-quality care at a lower cost.
- Enhancing wellness at the worksite and chronic illness prevention initiatives, especially the 5 percent of BCBSMA members who account for approximately 50 percent of total medical spending.

For more information on Blue Cross Blue Shield of Massachusetts year highlights please visit the2011 Annual Report website.

Blue Cross Blue Shield of Massachusetts (www.bluecrossma.com) is a community-focused, tax-paying, not-for-profit health plan headquartered in Boston. Celebrating our 75th anniversary in 2012, we are committed to working with others in a spirit of shared responsibility to make quality health care affordable. Consistent with our corporate promise to always put our 2.8 million members first, we are rated among the nation's best health plans for member satisfaction and quality.

For further information: CONTACT: Sharon Torgerson 617-246-2357 sharon.torgerson@bcbsma.com